

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

#4050
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March 23, 2012

TO: Internal File

THRU: April Abate, En Sci III, Team Lead *aca 3/27/2012*
Steve Christensen, En Sci III, Permit Supervisor, Task Manager *SICC*

FROM: Peter Hess, En Sci III, Reclamation Cost Estimate / Bond Adequacy *PHH km 805*

RE: Midterm Review Completion Response, Savage Services Corporation, Savage Coal Terminal, C/007/022, Task ID # 4050

SUMMARY:

The Division initiated a midterm permit review of the Savage Coal Terminal mining and reclamation plan on November 23, 2011. This included an evaluation of the reclamation cost estimate and the posted bond amount. The previous midterm was initiated in March of 2007. The Division instructed the Permittee to update the reclamation cost estimate to 2011, using R.S. Means Heavy Construction Cost Data for that year.

The Permittee submitted the updated reclamation cost estimate as Appendix 8-1 on March 15, 2012. The Division assigned Task ID # 4050 to the response application for tracking purposes. This memo will address the adequacy of that response as it relates to the updated reclamation cost estimate.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

The last evaluation of the reclamation cost estimate was performed during the midterm permit review initiated March 5, 2007 (Task ID # 2759). The permit was renewed in 2009. The Permittee was instructed to update the reclamation cost estimate using 2011 R.S. Means Heavy

Construction Cost Data as part of the midterm review initiated on November 23, 2011 (Task ID # 3953). The Permittee responded on March 15, 2012.

Form of Bond

The Permittee currently has a surety bond issued by the Liberty Mutual Insurance Company (965-003-641) in the amount of \$ 2,525,000 payable to the Division. Liberty Mutual has an "A" rating according to A.M. Best.

Determination of Bond Amount

The following Direct Costs were calculated for the reclamation of the Savage Coal Terminal;

1) Demolition and Removal	\$ 974,125.00
2) Backfilling and Grading	\$ 498,691.00
3) Revegetation	\$ 224,504.00
4) Subtotal Direct Costs	\$ 1,697,320.00.

Indirect costs were calculated at 26.8 % of the Total of the Direct Costs or

5) Indirect Costs.....	\$ 454,882.00.
6) Total Cost in 2011 Dollars.....	\$ 2,152,202.00.
7) Escalation Cost for 5 Years @ 1.7%.....	\$ 189,178.56.
8) Escalated Reclamation Cost to 2016.....	\$ 2,341,380.56.
9) Bond Amount Required.....	\$ 2,341,000.00.
10) Bond Amount Posted.....	\$ 2,525,000.00.
11) Excess Bond Amount.....	\$ 184,000.00.
12) Percent Difference.....	+7.28 %

The Permittee has a sufficient amount of reclamation bond in place as of March 23, 2012 to ensure the reclamation of the site through 2016.

Terms and Conditions for Liability Insurance

The Permittee renews the general liability insurance coverage for the site annually on or prior to April 1st of each year. Coverage is provided through the National Union Fire Insurance Company of Pittsburgh, Pa., and the Insurance Company of the State of Pennsylvania. Coverage amounts for general aggregate and each occurrence categories are both \$ 4,500,000. Coverage

for damage caused by the use of explosives is provided. The cancellation clause for notification of the Division in the event of cancellation is adequate.

Findings:

The Permittee has adequately addressed the requirements of R645-301-800, et seq. relative to reclamation cost estimate and the posted bond amount. The amount of bond in place is adequate to reclaim the Savage Coal Terminal disturbed area through 2016.

The Division should finalize the midterm review process and approve the submitted reclamation cost estimate for Task ID # 4050.

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